



Timika Shafeek-Horton
Deputy General Counsel

550 South Tryon Street
Charlotte, NC 28202

Mailing Address:
DEC45A / P.O. Box 1321
Charlotte, NC 28201

o: 704-382-6373
f: 980.373.8534

Timika.Shafeek-Horton@duke-energy.com

May 19, 2014

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

**Re: As-Available Capacity Agreement
2014-____-E**

Dear Mrs. Boyd:

Please find attached a copy of a proposed capacity sharing agreement between Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, Inc. ("DEP") that Duke is filing for informational purposes and for acceptance.¹ The agreement provides a framework in which to allow DEC or DEP to make excess capacity available to the other when one of them is projected to have more than adequate operating reserves and the other would benefit from an acquisition of capacity. Pursuant to the agreement, capacity will be made available for up to a week at a time. The agreement does not require either DEC or DEP to maintain or construct capacity to be available to the other party in any amount at any time. No transmission service is provided for under this agreement, and the agreement does not provide for the execution of joint generation planning.

Securing capacity as provided for in the attached agreement is beneficial to DEC and DEP customers because DEC and DEP can minimize purchases on the open market for capacity that is needed on a short-term, temporary basis. Such purchases of short-term capacity usually include the additional cost of energy that may not actually be needed. DEC and DEP will also be able to minimize the commitment of additional generation such as a coal unit(s). Commitment of such a unit would typically be for a minimum of forty-eight hours in order to address an operating reserve need of only one or two hours. DEC and DEP do not anticipate needing to

¹ It is DEC and DEP's interpretation that there is no filing requirement for this agreement. Given capacity sharing is more tenable given the merger, DEC and DEP consider it prudent to share the agreement with the Commission and to include language in the agreement regarding "acceptance" of the agreement by the Commission. If the Commission finds approval of the agreement is necessary, then DEC and DEP ask the Commission to interpret this letter as a request for approval.

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share available capacity on a frequent basis. Over time, however, the potential savings to customers make the effort of establishing this framework worthwhile.

Please feel free to contact me should there be any questions.

Sincerely,



Timika Shafeek-Horton
Deputy General Counsel

TSH/gw
Attachment

cc: Shannon Bowyer Hudson, Office of Regulatory Staff
John Flitter, Office of Regulatory Staff